

State of Alaska FY2004 Governor's Operating Budget

Department of Revenue Treasury Management Component Budget Summary

Component: Treasury Management

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Component Mission

The mission of the Treasury Division is to manage the state's funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules.

Component Services Provided

Manage the investments of state funds under the fiduciary responsibility of the Commissioner of Revenue, or as requested by other fiduciaries:

- General Fund
- International Airports Revenue Fund
- International Airports Construction Funds
- Constitutional Budget Reserve Fund
- Student Loan Bond Funds
- Alaska Children's Trust
- Exxon Valdez Oil Spill Trust Fund
- Power Cost Equalization Endowment Fund
- Public School Trust Fund
- Retiree Health Insurance Fund
- University of Alaska Trust Fund

Provide cash management and investment advice and services to all state agencies.

Provided capital financing advice and services to state agencies upon request.

Provide staff to the Alaska State Pension Investment Board, the State Bond Committee and the Alaska Municipal Bond Bank Authority.

Collect unclaimed property held by financial institutions and others and reunite that property with its rightful owner.

Component Goals and Strategies

Maximize the rate of return on investment portfolios consistent with statutes and fiduciary standards without incurring undue risks.

- Manage the funds in accordance with the stated asset allocation objectives and constraints.
- Meet or exceed established investment benchmarks over the appropriate time horizon.
- Minimize uninvested cash through the automation of the collection and deposit of state receipts.
- Increase use of technology to make processes more efficient.

Accurately and efficiently monitor, collect, and disburse cash.

- Develop an automated payment mechanism to assist state agencies in receiving remittances and related payment information.
- Assist state agencies with their conversion to electronic remittances of revenues and related information.
- Advise state agencies in reviewing their existing cash management procedures and improving cash handling processes.

Issue and manage state debt to achieve the lowest cost of capital to the state.

- Issue debt for capital financing and pursue refinancing opportunities to reduce interest costs when feasible.
- Keep rating agencies and other national municipal securities information repositories informed about Alaska in order to maintain the state's bond rating.
- Provide technical assistance to the Office of Management and Budget and the Alaska Legislature in evaluating

the cost and feasibility of financing proposed capital projects.

Safeguard and monitor the invested assets of the state.

- Issue accurate and timely financial reports.
- Monitor compliance with established internal controls and policies.

Key Component Issues for FY2003 – 2004

- Key issues for cash management relate to Alaska's geographical dispersion of population and the difficulty of access to communities, which, because it makes traditional paper-based transactions problematic, puts a premium on technologies that do not rely on traditional forms of transportation. Accordingly, Treasury is involved in the development of cutting-edge technology for cash management, which requires effort and time to reach the desired goal. Primary key issues for portfolio management include managing investment risk in the current low interest rate environment.
- Key debt issues include the recent “negative outlook” status given the State by Moody’s Investors Service. This status change highlights the importance of regular communication of state current events to the Moody’s analysts as well as ensuring Moody’s analysts’ concerns are relayed to the state’s leadership. This will be particularly critical during the upcoming change in administration.
- Additionally, Alaskans in November approved two general obligation bonds propositions. This will be the first time in 20 years that the state has issued general obligation bonds. The Treasury Division will be active in preparing for the bond issuance, expected in spring 2003.

Major Component Accomplishments in 2002

- The following funds exceeded their benchmarks in 2001: the General Fund, the Alaska Children’s Trust, the CBRF, the Exxon Valdez Oil Spill Trust Fund, the Retiree Health Insurance Long-term Care and Major Medical Funds, the Public School Trust, and the International Airports Revenue and Construction Funds.
- Implemented a securities lending program that should return \$1,500,000 per year to the various funds Treasury manages.
- Implemented an upgraded system to report state receipts and disbursements to DOA’s accounting system.
- Assisted ACPE in the segregation of their deposits, ensuring that they are not commingled with general funds at any time.
- Issued RFP for credit card acceptance contract.
- Increased direct posting of general fund receipts, significantly increasing the general fund balance available for spending.
- Provided AKSAS and cash management training to state agency personnel to increase awareness of agencies’ impact on available cash balances.
- Financed \$504,000 of State capital expenditures through the new master lease program.
- Issued \$16 million in Certificates of Participation to fund construction of the new Alaska Psychiatric Institute.
- Issued \$140.78 million in State of Alaska, International Airports System revenue bonds to fund two years of the system’s capital improvement program.
- Issued \$2.4 million in Bond Anticipation notes for the Clean Water and Drinking Water Funds.

Statutory and Regulatory Authority

AS 14.25.180
AS 14.40.400
AS 14.40.803-805
AS 18.26
AS 18.56.110
AS 37.05.200
AS 37.10
AS 37.10.050
AS 37.10.060
AS 37.10.070-.075
AS 37.12
AS 37.15
AS 39.30.155
AS 39.35.080
AS 43.05.150
AS 43.05.170
AS 43.05.180
AS 44.25.020

Treasury Management
Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,434.7	2,663.0	2,742.4
72000 Travel	20.1	23.6	23.6
73000 Contractual	926.4	884.8	884.8
74000 Supplies	17.0	17.5	17.5
75000 Equipment	68.1	15.1	15.1
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,466.3	3,604.0	3,683.4
Funding Sources:			
1001 Constitutional Budget Reserve Fund	125.0	125.0	125.0
1004 General Fund Receipts	1,051.3	1,157.6	1,160.5
1005 General Fund/Program Receipts	161.4	101.4	101.4
1007 Inter-Agency Receipts	1,779.9	1,759.0	1,833.9
1027 International Airport Revenue Fund	31.6	38.6	38.8
1046 Student Revolving Loan Fund	22.5	27.2	27.4
1053 Investment Loss Trust Fund	17.6	22.4	22.6
1061 Capital Improvement Project Receipts	47.3	0.0	0.0
1066 Public School Fund	56.1	164.2	164.4
1098 Children's Trust Fund Earnings	34.9	52.7	52.9
1142 Retiree Health Ins Fund/Major Medical	19.9	23.4	23.6
1143 Retiree Health Ins Fund/Long-Term Care Fund	33.3	36.8	37.0
1169 PCE Endowment Fund	85.5	95.7	95.9
Funding Totals	3,466.3	3,604.0	3,683.4

Treasury Management

Proposed Changes in Levels of Service for FY2004

The Treasury Division is requesting an increment in the FY04 budget to add Intra-Agency funding in the amount of \$60,000.00 to assist the Child Support Enforcement Division (CSED) in reconciling its trust account, reviewing its cash management policies and procedures and establishing new procedures to ensure quality controls are in place for the CSED trust account.

Summary of Component Budget Changes

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	1,384.0	0.0	2,220.0	3,604.0
Adjustments which will continue current level of service:				
-Annualize FY2003 COLA Increase for General Government and Supervisory Bargaining Units	0.0	0.0	7.5	7.5
-Reverse CBR Investment Management Fees Sec 94 (c) Ch 1 SSSLA2002	-125.0	0.0	0.0	-125.0
-\$75 per Month Health Insurance Increase for Non-covered Staff	2.9	0.0	9.0	11.9
Proposed budget increases:				
-Add Intra-Agency funding for assisting CSED with trust account, cash mgmt policies and procedures	0.0	0.0	60.0	60.0
-CBR Management Fees	125.0	0.0	0.0	125.0
FY2004 Governor	1,386.9	0.0	2,296.5	3,683.4

Treasury Management
Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	33	33	Annual Salaries	2,191,855
Part-time	1	1	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	658,134
			<i>Less 3.78% Vacancy Factor</i>	(107,589)
			Lump Sum Premium Pay	0
Totals	34	34	Total Personal Services	2,742,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	3	0	3
Accountant IV	0	0	2	0	2
Accounting Clerk II	0	0	2	0	2
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	2	0	2
Accounting Tech III	0	0	2	0	2
Administrative Assistant	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Aspib Liaison Officer	0	0	1	0	1
Assistant Investment Officer	0	0	2	0	2
Asst State Comptroller	0	0	1	0	1
Dep Commissioner	0	0	1	0	1
Micro/Network Spec I	0	0	1	0	1
Operations Res Anl I	0	0	1	0	1
Project Coord	0	0	1	0	1
Secretary	0	0	1	0	1
State Investment Officer II	0	0	5	0	5
State Investment Officer III	0	0	4	0	4
State Investment Officer IV	0	0	1	0	1
Totals	0	0	34	0	34